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**FISCAL IMPACT STATEMENT**

**LS 6958**

**BILL NUMBER:** SB 298

**NOTE PREPARED:** Jan 20, 2010

**BILL AMENDED:** Jan 19, 2010

**SUBJECT:** State Administration.

**FIRST AUTHOR:** Sen. Kenley

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Indiana Public Retirement System*- This bill establishes the Indiana Public Retirement System (System) to administer and manage: (1) the Public Employees' Retirement Fund (PERF); (2) the Teachers' Retirement Fund (TRF); (3) the Judges' Retirement Fund; (4) the Prosecuting Attorneys Retirement Fund; (5) the State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Fund; (6) the 1977 Police Officers' and Firefighters' Pension and Disability Fund; (7) the Legislators' Retirement System; (8) the Pension Relief Fund; (9) the Special Death Benefit Fund; and (10) the state Employees' Death Benefit Fund;

(11) creates an 11-member board of trustees for the System (Board) consisting of 10 members appointed by the Governor and the director of the Budget Agency (or designee) serving as an ex officio voting member;  
(12) requires a trustee to complete annually at least 12 hours of trustee education;  
(13) provides that the Board's powers and duties are the combined powers and duties of the PERF and TRF boards;  
(14) provides that each retirement fund continues as a separate fund managed by the Board;  
(15) provides for a director of the System who is appointed by and serves at the pleasure of the Board;  
(16) requires the director to employ managers for PERF and TRF;  
(17) allows the director to employ managers for one or more of the other public retirement funds of the System;  
(18) repeals provisions that establish the PERF and TRF Boards;

*Tobacco Use Prevention and Cessation Executive Board*- The bill also: (19) abolishes the Indiana Tobacco Use Prevention and Cessation Executive Board (executive board) on July 1, 2010, and transfers all assets, obligations, powers, duties, and appropriations of the executive board to the State Department of Health;

(20) repeals statutes governing the executive board;

*Evansville State Psychiatric Treatment Center for Children-* The bill: (21) removes the provision prohibiting the Evansville State Psychiatric Treatment Center for Children from being independent of the Evansville State Hospital and the Southwestern Indiana Community Mental Health Center;

(22) removes the provision prohibiting the Evansville State Psychiatric Treatment Center and the Evansville State Hospital from reducing staffing levels below those in effect on January 1, 2002;

*Department of Correction (DOC)-* The bill: (23) increases the maximum amount for the Department of Correction to use employee or inmate labor from \$100,000 to \$500,000;

*Department of Administration (IDOA)-* The bill: (24) permits the Department of Administration to use electronic signatures from all contracting parties using an electronic method that does not comply with Indiana's electronic signature act, if the method allows the contracting party to read the terms of the contract before accepting them and to manifest the party's agreement to the contract by clicking an "ok" or "agree" button or not accept the terms of the contract by clicking on a "don't agree", "cancel", or "close window" button;

(25) provides that the Department of Administration is not required to obtain a property appraisal for a property that is sold using a public auction or public sealed bid procedure;

*Horse Racing Commission-* The bill: (26) eliminates the requirement to submit fingerprints to the Horse Racing Commission every five years and requires the Commission to coordinate with the State Police Department for storage of fingerprints;

*Family and Social Services Agency- Alzheimer's Disease:* The bill: (27) eliminates the Alzheimer's disease and related senile dementia programs and eliminates the Alzheimer's and dementia special care disclosure by a health facility that provides or offers Alzheimer's and dementia special care;

*CHOICE Board-* The bill also: (28) eliminates the requirement for the Community and Home Options to Institutional Care for the Elderly and Disabled Board (CHOICE Board) to conduct an annual conference on the problems of the aging and the aged;

(29) repeals the requirement that the CHOICE Board meet at least six times each year;

*Infants and Toddlers with Disabilities Program:* The bill (30) eliminates the maximum monthly cost share amount for services under the infants and toddlers with disabilities program;

*Department of Natural Resources-* The bill: (31) removes the 50% limitation on using the lifetime hunting, fishing, and trapping license trust fund for land purchases;

*Board of Animal Health-* The bill also (32) provides for flexible scheduling of meat and poultry inspections by the Board of Animal Health;

*Deaf School and Blind School-* The bill: (33) permits the board for the Deaf School and Blind School to prescribe, subject to the approval of the State Personnel Department and the Budget Agency, a salary schedule for the school without having to make the daily rate of pay for a teacher equal to that of a teacher at the Indianapolis Public Schools.

The bill also repeals corresponding definitions and cross-references.

**Effective Date:** (Amended) Upon passage; May 1, 2010; July 1, 2010.

**Explanation of State Expenditures:** *Indiana Public Retirement System:* The total impact of this proposal on the PERF and TRF pension funds will depend on complete implementation and the extent to which economies are achieved, both in lowering administrative and investment costs, along with generating higher investment returns. A consulting firm retained by PERF and TRF estimated a one-time administrative cost savings of \$8.9 M and recurring annual savings of \$1.4 M with combining the administration of the funds. PERF and TRF have also estimated an additional annual savings of \$100,000 for lower employer administrative costs. The bill also eliminates one Executive Director position and reduces the number of overall trustees.

*Background - Indiana Public Retirement System:* The following table shows the administrative and investment expenses for PERF and TRF for FY 2009.

<b>FY 2009 Expenses</b>	<b>PERF</b>	<b>TRF</b>
Administrative	\$26.06 M	\$8.07M
Investment	\$63.77 M	\$31.87 M
<b>Total</b>	<b>\$89.83 M</b>	<b>\$39.94 M</b>

*Indiana Tobacco Prevention and Cessation Executive Board:* Under the bill, the Indiana Tobacco Prevention and Cessation Executive Board is to be abolished and the program is to be administered by the Indiana State Department of Health (ISDH). This will increase the workload of the ISDH to fulfill the responsibilities the Executive Board formerly fulfilled.

This provision may also decrease state expenditures. During FY 2009, the Executive Board experienced \$1.1 M in administrative expenses, of which approximately \$988,000 was expended on the salary and fringe benefits of 14 staff members. These expenses were financed from Tobacco Master Settlement funds, of which \$10.9 M was appropriated to the Executive Board during the biennium. To the extent ISDH can fulfill the responsibilities of the Executive Board with currently existing staff or more efficiently than the Executive Board, administrative expenditures may decrease. Decreases will depend on the decisions of ISDH administrators.

*Evansville State Psychiatric Treatment Center for Children and Evansville State Hospital:* The Family and Social Services Administration (FSSA) reports that by removing language governing the administration of the Evansville State Psychiatric Treatment Center for Children, they plan to reduce staffing by seven full-time positions and combine functions of the two facilities. This would represent cost savings of approximately \$280,000 in staffing salary per year and unknown, but additional, cost savings by combining functions between the two facilities.

(Revised) *Alzheimer's Disease and CHOICE Board Provisions:* Elimination of the following items are expected to result in cost savings of approximately \$7,500 per fiscal year in expenditures and about 180 hours in staff time:

(27) the Alzheimer's disease and related senile dementia programs and the Alzheimer's and dementia special

care disclosure by a health facility that provides or offers Alzheimer's and dementia special care;  
(28) the requirement for the CHOICE Board to conduct an annual conference on the problems of the aging and the aged; and  
(29) the requirement that the CHOICE Board meet at least six times each year;

(Revised) *Department of Correction*- The provision that increases the maximum amount for the DOC to use employee or inmate labor from \$100,000 to \$500,000 applies only to projects involving rehabilitation, extension, maintenance, construction, or repair of any facility under the control of the DOC. The DOC indicates that offenders would likely be able to complete at least three projects each year involving roofing, masonry, and plumbing.

(Revised) *Department of Administration*- Electronic Signatures: Currently, the electronic signature act requires a digitized signature. Allowing an electronic method provided in this bill will assist in making all contracts processed electronically rather than manually, which may result in a more efficient process.

Property Appraisals for Property Sold By Public Auction or Public Sealed Bid Procedure: The bill provides that the IDOA is not required to obtain a property appraisal for a property that is sold using a public auction or public sealed bid procedure. From June 2006 to July 2009, IDOA spent \$48,905 on 42 appraisals, roughly \$1,000 per transaction (excluding Department of Transportation (INDOT)) properties. At this time, IDOA is working on sales of 17 properties, with 9 of them from INDOT.

(Revised) *Horse Racing Commission*- (26) The bill eliminates the requirement that persons licensed by the Indiana Horse Racing Commission (IHRC) to participate in pari-mutuel horse racing must submit their fingerprints to the IHRC every five years. The bill also requires the IHRC to coordinate with the State Police Department for storage of fingerprints submitted by such licensees. These licensees include horse owners, horse trainers, jockeys, racetrack employees, racetrack management, pari-mutuel clerks, employees of vendors, and others participating in pari-mutuel racing. In 2008, the IHRC issued 9,544 licenses to pari-mutuel racing participants. The bill is expected to result in an indeterminable administrative savings to the IHRC.

(Revised) *Department of Natural Resources*- (31) The bill removes the 50% limitation on using the Lifetime Hunting, Fishing, and Trapping License Trust Fund for land purchases. Under current law, the DNR may use money in the fund to acquire real property that will be used and managed for hunting and fishing. Currently, however, the money from the fund may not exceed 50% of the appraised value of real property, which means that the remaining 50% must be obtained from other sources. Removing the 50% limitation could result in the DNR being able to use the Trust Fund to purchase land for hunting and fishing without having to rely on other sources. As of January 14, 2010, the balance in fund was \$17 M.

(Revised) *Board of Animal Health (BOAH)*- (32) Under existing federal law, the BOAH must be present during the slaughter of animals for human consumption. Additionally, a BOAH inspector must be present for a specific length of time when animals are processed. Currently, the slaughterhouse determines when it will slaughter or process, and the BOAH is required to be there. Under the proposal, the BOAH would have more authority to arrange the schedule. This provision could allow the BOAH to use its staff more efficiently, which could reduce expenditures. However, the specific impact is unknown.

(Revised) *Deaf School and Blind School*- (33) Permitting the board for the Deaf School and Blind School to determine the salary schedule for teachers subject to the approval of the State Department of Personnel and the Budget Agency will depend upon the actions of the boards and could result in a reduction of

expenditures or an increase, depending upon the schedule adopted for the teachers. Currently, teachers at the schools are required to be paid at the same daily rate as a teacher at the Indianapolis Public School Corporation.

*Background Information:* As of January 3, 2010, the Blind School had 69 teachers, 61 of whom were full-time employees, while 8 were substitute teachers. The total amount paid was about \$5.23 M.

The Deaf School had 109 teachers, 104 of whom were full-time employees, while 5 were substitute teachers. The total amount paid was about \$6.51 M. The average salary was about \$61,514.

**Explanation of State Revenues:** *Indiana Public Retirement System:* The pooling of assets also could generate higher investment returns and lower investment costs for the pension funds. PERF and TRF estimate that the pooling of assets could generate an increase of 0.2% in investment return. As of November 30, 2009, PERF net assets amounted to \$14.2 B, and TRF net assets were \$8.1 B. Combined net assets totaled \$22.3 B. The 0.2% increase in investment return is the equivalent to approximately \$44.6 M in incremental annual investment returns.

(Revised) *Infants and Toddlers with Disabilities Program:* By eliminating the maximum co-payment amount for the Infants and Toddlers with Disabilities Program, families may be required to pay more for treatment services. FSSA reports the estimated additional revenue the state would have received for FY 2009 if there were no maximum co-payment amount was approximately \$141,600.

(Revised) *Board of Animal Health.* The bill could reduce expenses for the inspection program. The inspection program is funded through a state-federal match. As the expenses for the program decline, so will federal revenue. For FY 2009 and for FY 2010, the state appropriated \$1.8 M for the program for each of the two years.

**Explanation of Local Expenditures:** *Indiana Public Retirement System:* The bill may also provide some administrative efficiencies to local employers.

### **Explanation of Local Revenues:**

**State Agencies Affected:** PERF; TRF; Indiana State Department of Health; Evansville State Psychiatric Treatment Center for Children; Evansville State Hospital; DNR; IHRC, Indiana State Police; IDOA; FSSA; Board of Animal Health; DOC.

**Local Agencies Affected:** Units with members in PERF and school corporations with members in TRF

**Information Sources:** Terren Magid, Executive Director, PERF, 317-234-4375; Steve Barley, Deputy Director and Chief Operating Officer, PERF, 317-233-4184; Steve Russo, Executive Director, TRF, 317-232-3864; Chris Smith, Legislative Liaison, DNR, 317-233-6904; FY 2009 *Tobacco Cessation and Prevention Executive Board Annual Report*; IHRC, 2008 *Annual Report*; Connie Smith, IDOA, 317-233-1484; Kevin Orme, Director of Construction Services, DOC; 317-232-1195; Gary Haynes, BOAH.

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